

GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT

MINES AND MINERALS – M/s. A.P.Mineral Development Corporation Limited - Request to accord approval for the draft agreement and also approval to enter into agreement with M/s. Gimpex Ltd., Chennai, superseding the earlier Memorandum of Agreement dated:04-3-2005 in regard to establishment of beneficiation plant in joint venture with M/s. A.P.Mineral Development Corporation Limited for mining and beneficiation of low grade Iron Ore deposits in Prakasam District – Approved – Orders issued.

-----  
INDUSTRIES AND COMMERCE (M.II) DEPARTMENT

G.O.Ms.No. 144 ,

Dated:18-6-2009.  
Read the following:

1. G.O.Ms.No.95, Industries & Commerce (M.II) Department, dated:27-4-2009.
2. From the D.M.G., File No.3973/R3-1/2004, dated:05-5-2009.
3. G.O.Ms.No.101, Industries & Commerce (M.II) Department, dated:13-5-2009.
4. From the VC & MD., A.P Mineral Development Corporation Limited, File. No.APMDC/Geo/E.Interest/Iron Ore/2004, dated:05-5-2009.

\*\*\*\*\*

ORDER:-

In the reference fourth read above, the Vice Chairman & Managing Director, M/s. A.P.Mineral Development Corporation Limited has stated that Government of India have accorded prior approval under Section 5(1) of MM (D&R) Act, 1957 to grant Mining Lease in the following areas in favour of M/s. A.P. Mineral Development Corporation Limited.

Sl.No.	Sy.No.	Extent	Villages
1.	160/1	45.344 Hectares	Annangi
2.	7	77.005 Hectares	Vemparala
3.	64,103 and 206	137.863 Hectares	Thammavaram
4.	2218	68.927 Hectares	Addanki
5.	456/1	98.981Hectares	Annagi

2. The Board of Directors in its 321<sup>st</sup> meeting held on 01-3-2005 accorded approval and authorized the Vice Chairman & Managing Director, A.P. Mineral Development Corporation Limited, to issue LOI to M/s. Gimpex Ltd., Chennai and to enter into M.o.U. with them for Joint Venture for Mining & Beneficiation of low grade Iron Ore deposits in Prakasam District. Accordingly, the Corporation entered into a Memorandum of Understanding with M/s Gimpex Limited on 4-3-2005 for establishment of Beneficiation Plant in Joint Venture with M/s. A.P.Mineral Development Corporation Limited as per the bid submitted by them against Expression on Interest dated: 18-4-2004. The salient features of the M.o.U are that M/s Gimpex Limited will incorporate a Public Limited Company as Joint Venture in which 11% equity shares will be allotted to A.P. Mineral Development Corporation Limited with free of cost in consideration of transfer of Mining Lease in the Iron Ore Deposit areas mentioned therein. Further, the Joint Venture company shall pay Rs.45/- per MT of Iron Ore concentrate with a minimum guaranteed income of Rs.1,12,50,000/- p.a.

(P.T.O)

3. The Vice Chairman & Managing Director, A.P. Mineral Development Corporation Limited, has also informed that M/s MSPL Limited, Hospet has filed a Revision Application before the Tribunal in the Ministry of Mines, Government of India, against rejection of their applications for grant of Mining Lease in the areas reserved and applied for by the corporation. The Hon'ble Tribunal has dismissed the said appeal on 18<sup>th</sup> January, 2006. Aggrieved with the tribunal orders, M/s MSPL have filed a Writ Petition © No. 6208 of 2006 before the Hon'ble High Court of Delhi, at New Delhi. The Hon'ble High Court dismissed the writ petition © No. 6208 of 2006 on 01-7-2008 upholding the reservation of Iron Ore bearing areas in the Ongole District as mentioned in G.O.Ms.No.428, dated:7-4-1972. Against those orders, M/s MSPL have filed a SLP No.21550 of 2008 before the Hon'ble Supreme Court of India. The Hon'ble Supreme Court on 25-9-2008 while granting leave for filing SLP, ordered that any lease granted by the State Government in favour of A.P. Mineral Development Corporation Limited, and any subsequent arrangements entered into by A.P. Mineral Development Corporation Limited with any third party will be subject to the final decision in the SLP. The A.P. Mineral Development Corporation Limited should also inform any person with whom it proposes to enter into any arrangement about the pendency of the SLP and the Interim Order. Subsequently, M/s Gimpex Limited filed an interim application No.4 of 2009 in the above SLP, on 16-3-2009 to implead them as 4<sup>th</sup> respondent in the SLP. The Hon'ble Supreme Court of India on 09-4-2009 ordered notice on the above interim application. M/s. MSPL have challenged the above reservation order and also holding of 11% equity by A.P. Mineral Development Corporation Limited, in the Joint venture as these areas were reserved for public sector exploitation.

4. The Vice Chairman & Managing Director, has further stated that, the Board of Directors of M/s. A.P. Mineral Development Corporation Limited, have noted that although the reservation of low grade Iron Ore areas in favour of M/s. A.P. Mineral Development Corporation Limited is valid and in order to maintain the status of a Government company, it is felt desirable to increase the share holding by M/s. A.P. Mineral Development Corporation Limited from 11% to 51% in mining project without deviation of the terms of the original MoU dated:04-3-2005 with regard to shareholding pattern in the beneficiation plant and also with regard to payment of escort charges of Rs.45/- per Mt of concentrate and minimum guaranteed amount of Rs.1,12,50,000/- per annum. Further, the Board of Directors while approving the draft agreement, authorized the Vice Chairman & Managing Director, M/s. A.P. Mineral Development Corporation Limited, to enter into the agreement superseding the earlier MoU, dated:04-3-2005 by seeking prior approval of the State Government.

5. In the reference first & third read above Government have issued orders granting a mining lease for Iron Ore covering an extent of 1307.26 acres in Villages of Konijedu, Marlapadu, Kanduluru, Sarvireddipalem and Errajarala of Tangaturu & Ongole Mandals of Prakasam District in favour of M/s. A.P.Mineral Development Corporation Limited. Subject to the condition that

*"any subsequent arrangements entered into by M/s. A.P.Mineral Development Corporation Limited with any third party will be subject to the final decision of the Hon'ble Supreme Court in SLP© No.21550/2008 filed by M/s. MSPL Ltd., Neither M/s. A.P.Mineral Development Corporation Limited nor any third party, with whom any arrangement is entered, can claim any equity, merely by reason of such arrangement or any expenditure incurred in pursuance of it. M/s. A.P.Mineral Development Corporation Limited should also specifically inform with whom it proposes to enter into arrangement about the pendency of this matter before Hon'ble Supreme Court in S.L.P.No.21550/2008 and the interim orders dated: 25-9-2008 issued by the Hon'ble Supreme Court."*

6. The Vice Chairman & Managing Director, has further submitted the following financial implications in this project:

- (1) M/s. A.P. Mineral Development Corporation Limited, will get free equity of 11% in SPV beneficiation to be established with an investment ranging between Rs.150 to 175 crores. The beneficiation company shall pay escot charges @ Rs.45 per tonne of Iron Ore concentrate subject to a minimum of Rs.1,12,50,000 p.a.
- (2) M/s. A.P. Mineral Development Corporation Limited, shall be allotted fully paid up equity shares for consideration other than cash equal to 51% of the issued, subscribed and paid-up share capital in the SPV-Mining Company as free ride equity shares. A.P. Mineral Development Corporation Limited, shall be allotted this equity of 51% as consideration for procuring the mining lease(s) and all other associated sanctions/ Permissions and approvals from the Government of Andhra Pradesh and Government of India that are required to get the lease(s) and sub-lease in favour of SPV – Mining Company towards incurring all costs and expenses.
- (3) The SPV Mining Company shall be responsible for payment of the Dead Rent, Royalty, Surface rent and cess etc., in respect of the mines from the date of handover of the mines to the SPV – Mining Company.
- (4) Further as per clause 4 (iii) of the agreement, the capital and other related investments required for development of the mine or for conducting the mining operations including all other incidental expenses for the SPV-Mining Company shall be arranged by the Promoter Company. In other words, the Promoter Company shall bear the entire cost of mining operations undertaken by the SPV-Mining Company and it is the responsibility of the promoter company to procure required men and machinery to conduct the mining operations on behalf of the SPV Mining. However, M/s. A.P.Mineral Development Corporation Limited shall depute one senior cadre Mining Engineer to oversee the operations. M/s. A.P.Mineral Development Corporation Limited shall not make any cash investments in the SPV-Mining Company to take up any mining operations as the entire responsibility of funding for mining operation lies with SPV-Mining Company.
- (5) The company has already paid Rs.1 crore by way of Bank Guarantee towards Performance Bank Guarantee.

7. The Vice Chairman & Managing Director, M/s. A.P. Mineral Development Corporation Limited, has therefore requested the Government to accord approval for the draft agreement and also to enter into the agreement with M/s. Gimpex Ltd., Chennai.

8. The Draft agreement for permission to Vice Chairman & Managing Director, M/s. A.P. Mineral Development Corporation Limited, to enter into the agreement with M/s. Gimpex Ltd., Chennai superseding the earlier MoU dated:04-03-2005 has been scrutinized and vetted by the Law department vide their U.O. No.2795/LSP/2009 and the same has been perused by the Finance department vide their U.O.No.13494/249/Exp. (I&C)/2009, dt.19-5-2009, with the following advice:

1. The decision should not weaken our case before the Hon'ble Supreme Court.
2. The change in agreement should not be financially detrimental to the Government or A.P. Mineral Development Corporation Limited.

*Contd...P.4*

9. The Government after careful examination of the matter, hereby accord approval to the draft agreement (appended to this G.O.) and also to enter into the agreement with M/s. Gimpex Ltd., Chennai, superseding the earlier MoU, dated:04-3-2005 with regard to establishment of beneficiation plant in joint venture with M/s. A.P.Mineral Development Corporation Limited for mining and beneficiation of low grade Iron Ore deposits in Prakasam District. The VC & MD, APMDCLtd., is permitted to enter into above agreement with M/s. Gimpex Limited, Chennai.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Y.SRILAKSHMI  
SECRETARY TO GOVERNMENT

To  
The VC & MD., A.P. Mineral Development Corporation Limited,  
Ameerpet, Hyderabad (w.e.).

Copy to:

- 1) The Director of Mines & Geology, Hyderabad.
  - 2) The Secretary to G.O.I, M.O.M, Sastry Bhavan, New Delhi-110 001.
  - 3) The Special Secretary to Hon'ble Chief Minister, A.P. Hyderabad.
  - 4) The P.S. to Hon'ble Minister for Mines & Geology, A.P. Hyderabad.
  - 5) The Finance (Expenditure, I & C) Department.
  - 6) The Public Enterprises Department.
  - 7) The Law Department.
  - 8) Ps to Secretary (Industries & Commerce) Department.
- Sf/Sc.

"Copy of this order is available on the Internet and can be accessed at the address "<http://www.ap.gov.in/goir>".

//FORWARDED BY ORDER//

SECTION OFFICER